

1<sup>st</sup> August 2016**QUARTERLY ACTIVITY REPORT  
FOR THE PERIOD TO 30 JUNE 2016****HIGHLIGHTS**

- Subsequent to the quarter, Magnum finalised terms for a placement to secure interim funding for the company's operations (Refer ASX Release 1 August 2016).
- During the period Magnum further developed its relationship with Sky Blue Capital with the signing an MOU to source and supply Sky Blue Capital developments with gas.
- The Botswana Government has recently announced steps initiated to support the development of the CBM gas industry and power self-sufficiency. Including the proposed development of 100MW of CBM fuelled pilot power plants as part of its Independent Power Producer Programme. Along with commitments to the development of a low carbon energy portfolio, including converting the 90MW Orapa power station to gas and the tendering and development of 100MW of solar power.
- Magnum is progressing the design, strategic relationships and offtake discussions for a pilot power generation project eg 10MW to help commercialise the Central CBM gas field. Whilst a Botswana peer has made recent announcement regarding a pilot project, Magnum is awaiting formal correspondence from the Government regarding their recent announcement of supporting such pilot power projects.
- Magnum is progressing discussions with industrial and commercial users regarding supply of their energy (eg. 0.5 - 5 MW) needs, with Solar power and/or Gas (CNG) fuel/power.

## Botswana Operations

Magnum's operations are focused on Botswana, a country which has a low sovereign risk and is a highly regarded country to operate in; however Botswana (and the Southern Africa Region in general) has significant power supply issues. Magnum is focused on bringing cleaner energy to the people of Botswana, who wish to have a domestic gas market and power generation facilities for the ongoing development of their country and people. Magnum is also working to progress larger power generation projects for regional export markets.

Magnum is working to develop Solar power generation projects to provide a clean, practical and cost effective solution for industry and communities in the region. While integration of Gas fired power generation provides a clean and flexible energy source (particularly more so than coal, diesel and wood which are the primary sources of energy in Botswana), addressing the issue of mid-merit, peaking and in-fill power requirements. Magnum will endeavour to make use of its own potential CBM gas resource for the supply of such gas offtakes.

## ENERGY SUPPLY CHAIN: Developing Key Relationships & Capability



## Solar & Gas - Power Generation Projects

Magnum has been progressing partnering discussions and investigating opportunities for integrated hybrid Solar/Gas fired power generation facilities. Magnum is working to be a vertically integrated energy supplier in Botswana. To help create solutions for the desperate Botswana power market, facilitate potential gas offtakes for the gas exploration projects and provide other paths to potential revenue streams and value for Magnum shareholders. As such, Magnum has been focussed on partnering and facilitating possible solar power projects, particularly where benefits exist for Hybrid Solar & Gas power generation facilities.

## Solar Power Generation

### Large Scale Utility Solar Power

Magnum has been progressing partnering discussions and investigating opportunities for both standalone and integrated/hybrid Solar/Gas fired power generation facilities in Botswana. Magnum is reviewing power supply opportunities for both the domestic Botswana power market, but also export to the regional Southern Africa power market.

Magnum also awaits the next steps from the Botswana Government regarding the submission made by Magnum for the Expressions of Interest to build a 100MW solar power generation project in Botswana. Government has commented that tenders will be called for, with development expected for 2018.



For example : an existing 160 MW of PV (Photo Voltaic) Solar Power facility & proposed 100 MW CSP (Concentrating Solar-thermal Power) project in the Northern Cape Province, South Africa by Solar Reserve.

### Small Scale Industrial/Commercial Solar Power

Magnum has been progressing discussions with a number of industrial and commercial power users, who are regularly impacted upon by the unreliable grid power supply and are looking for a clean, cost effective reliable power supply for their operations. Installation of on-site solar power generation can help alleviate their issues. Such projects help make Magnum a power producer in country, demonstrate to the Government and community the value of such facilities, can be executed relatively quickly, are low technical risk and provide Magnum with an operational revenue stream enabling fund participation.

### Gas Power Generation

The Magnum CBM project acreage has a significant potential gas resource which has been drilled and discovered, but awaits a commercial offtake to enable progress and conversion from a resource to reserve, completion of a BFS (Bankable Feasibility Study) and on to production of the field. Botswana lacks existing gas infrastructure, network and market to enable such offtakes, however they need electricity and understand Power Purchase Agreements.

So Magnum is working to create it's own offtake for the potential gas resource by progressing the power generation infrastructure required to execute a Gas to Wire model, similar to early Australian CBM developments. Initially Magnum expects to generate power as a small



pilot gas fired power generation facility of eg 10MW. Magnum has progressed significantly with partners for each component of such projects and is working on possible development scenarios. Whilst a peer has made recent announcements to the market, Magnum is awaiting formal correspondence from the Botswana Government.

As the field is further drilled and certified, more significant power generation project may be enabled. This is also expected to be executed in a phased, increment approach eg. 20MW, 50MW, 100MW, etc and possibly to some 300+MW for export to regional power markets.

Further, Magnum awaits the next steps from the Botswana Government regarding the submission made by Magnum for the CBM fuel supply to the Orapa 90MW power generation facility in Botswana.

## Gas Supply Projects

During the period Magnum signed a second MOU with Sky Blue Capital. In which Sky Blue or it's appropriate development company or subsidiary(s), shall provide Magnum with an offtake for gas to supply to it's Net Zero community developments (provided it is technically and economically viable). While Magnum shall supply gas per the offtake agreement(s) regarding the supply and offtake of gas for the Sky Blue Net Zero developments. This agreement is in addition to the existing MOU regarding potential Botswana Net Zero community projects.

Magnum is still pursuing and working to develop gas offtake markets. Magnum is investigating various Compressed Natural Gas ("CNG") and micro-LNG (Liquefied Natural Gas) solutions to create a virtual pipeline using road transport to initial offtake facilities and potentially creating a flexible distribution network for Botswana.

## Community Energy Projects



Magnum has previously signed a memorandum of understanding with Sky Blue Capital Proprietary Limited ("Sky Blue"), agreeing to form a new company in Botswana seeking to develop Social Housing projects with their own independent power supply (integrated Gas and Solar micro-grid). Such projects would help Botswana develop affordable, clean and sustainable communities with reliable power supplies, whilst importantly generating an offtake for Magnum's gas, integrating solar power generation and utilizing Sky Blue's expertise in Net Zero Energy Developments. Further Magnum has been progressing discussions regarding being the gas supplier to the Sky Blue Capital community developments.



## Coal Bed Methane Projects

The Magnum CBM exploration portfolio consists of multiple Coal Bed Methane Prospecting Licences focused on two separate project areas, Central and Northern CBM project areas, within the overall central Kalahari Karoo basin of Botswana, Africa.

Magnum's CBM acreage is located in the Central region of Botswana and is held 100% by Magnum's wholly owned Botswana subsidiary, Nata Energy (Pty) Ltd.

The Central CBM project consists of six blocks totalling 1,205 km<sup>2</sup> of prospecting licences (PL352/2008 and PL353/2008) over prospective CBM acreage across the “Mmashoro” basin in the Mmashoro Region. The Northern CBM Project consists of 1,132 km<sup>2</sup> of prospecting licences (PL 644/2009 and PL645/2009) over prospective CBM acreage across the “Ngwasha” basin in the Nata Region.

The CBM exploration programmes underway in the basin are providing positive results. Existing power generation facilities in Botswana’s critical power market are currently awaiting CBM gas supply.

### Petroleum Projects

Magnum’s wholly owned Botswana subsidiary Baobab Resources (Pty) Ltd holds Petroleum Exploration Licence (“PEL”) No. 154/2012 issued by the Department of Geological Surveys in the Republic of Botswana in October 2012. The PEL 154/2012 covers approximately 23,700 km<sup>2</sup> and is located in the Ngamiland and Central districts of Botswana.

### Southern Africa Regional Operations

Magnum has also been investigating and reviewing other CBM and Gas project opportunities in the Southern Africa region, looking to leverage off existing experience, capability and networks in the region.

For more information please visit our website [www.magnumgpl.com](http://www.magnumgpl.com)  
or contact: The Managing Director, Trent Wheeler on +61 (0)8 9380 6755

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**About Magnum Gas & Power Ltd**

**ASX: MPE BSE: MAGNUM**

Magnum Gas & Power Ltd is a listed energy, exploration and development company.

*Energy for Growth*

*Power for a Cleaner Future*

Magnum is working to develop upstream Gas exploration and production projects in Botswana, Africa, along with Solar and Gas Power Generation infrastructure. The Company’s Board of Directors and management team has extensive experience in exploration and development of energy, resources and infrastructure projects.

Magnum is listed on both the ASX (Australian Stock Exchange) and the BSE (Botswana Stock Exchange) to enable both local Botswana participation and international investment.

### Forward Looking statements

This document may contain forward looking statements. Forward looking statements include, but are not limited to, statements concerning Magnum Gas & Power Ltd’s planned programmes. Although the Company believes that such statements are reasonable, the Company’s exploration activities inherently include a degree of risk and as such there is a risk that actual results achieved may be different from the forward looking statements made.

# Appendix 5B

## Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

**MAGNUM GAS & POWER LIMITED**

ABN

**96 107 708 305**

Quarter ended ("current quarter")

**30 June 2016**

### Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (12 months) \$A'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration & evaluation	(8)	(114)
(b) development	-	-
(c) production	-	-
(d) administration	(6)	(316)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	-	-
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other	-	-
<b>Net Operating Cash Flows</b>	<b>(14)</b>	<b>(436)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other	-	-
<b>Net investing cash flows</b>	<b>-</b>	<b>-</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(14)</b>	<b>(436)</b>

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(14)	(436)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	-	160
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	150
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (Share issue costs)	-	(5)
	<b>Net financing cash flows</b>	-	305
	<b>Net increase (decrease) in cash held</b>	(14)	(131)
1.20	Cash at beginning of quarter/year to date	18	135
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	<b>Cash at end of quarter</b>	4	4

**Payments to directors of the entity and associates of the directors**

**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	-
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Payments to directors and their related parties.

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

NIL

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

NIL

**Financing facilities available**

Add notes as necessary for an understanding of the position.

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	450	450
3.2	Credit standby arrangements	-	-

+ See chapter 19 for defined terms.

**Estimated cash outflows for next quarter**

		<b>\$A'000</b>
4.1	Exploration and evaluation	25
4.2	Development	
4.3	Production	
4.4	Administration	25
<b>Total</b>		<b>50*</b>

\*Note: Estimated cash out flows are dependent on the ability of the Company to continue to fund them. The Company has agreed terms for interim funding subject to meeting some commercial pre-conditions subsequent to the end of the quarter and is evaluating a number of alternatives for funding its ongoing working capital and planned exploration program.

**Reconciliation of cash**

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1 Cash on hand and at bank	4	18
5.2 Deposits at call	-	-
5.3 Bank overdraft		
5.4 Other (provide details)		
<b>Total: cash at end of quarter (item 1.22)</b>	<b>4*</b>	<b>18</b>

\*Note: The Company has agreed terms for interim funding subject to meeting some commercial conditions subsequent to the end of the quarter.

**Changes in interests in mining tenements**

	<b>Tenement reference</b>	<b>Nature of interest (note (2))</b>	<b>Interest at beginning of quarter</b>	<b>Interest at end of quarter</b>
6.1	Interests in mining tenements relinquished, reduced or lapsed	N/A		
6.2	Interests in mining tenements acquired or increased	N/A		

**Appendix 5B**  
**Mining exploration entity quarterly report**

**Issued and quoted securities at end of current quarter**

*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

		<b>Total number</b>	<b>Number quoted</b>	<b>Issue price per security (see note 3) (cents)</b>	<b>Amount paid up per security (see note 3) (cents)</b>
7.1	<b>Preference +securities</b> <i>(description)</i>	-	-	-	-
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	-	-	-	-
7.3	<b>+Ordinary securities</b>	882,375,705	882,375,705	-	-
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	-	-	-	-
7.5	<b>+Convertible debt securities</b> <i>(description)</i>	-	-	-	-
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	-	-	-	-
7.7	<b>Options</b> <i>(description and conversion factor)</i>	<i>Unlisted options</i>		<i>Exercise Price</i>	<i>Expiry Date</i>
		-	-	-	-
		-	-	-	-
7.8	Issued during quarter	-	-	-	-
7.9	Exercised during quarter	-	-	-	-
7.10	Expired during quarter	-	-	-	-
7.11	Cancelled during quarter	-	-	-	-
7.12	<b>Debentures</b> <i>(totals only)</i>	-	-		
7.13	<b>Unsecured notes</b> <i>(totals only)</i>	-	-		

+ See chapter 19 for defined terms.

## Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here: ..... Date: 31 July 2016  
(Director)

Print name:

## Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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